

*The*  
Government and Business

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By SAMUEL O. DUNN

Editor of the Railway Age Gazette

Before the Transportation Club of Louisville, Ky.

At Louisville, October 19, 1915



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By Samuel O. Dunn

At a time such as this, when the mightiest conflict in history is raging over a large part of the earth, we are apt to have our attention diverted from our own sober problems of peace to the more dramatic problems presented to other peoples by war. But our domestic problems of politics and economics we still have with us, and will continue to have in even more acute form after the great struggle now going on elsewhere has been fought out. Therefore it behooves us to turn occasionally from the consideration of questions of war and resume the consideration of those of peace. And of all our great domestic questions, none is more important than that presented by the relations between our governments and our commerce and industry.

The present generation has witnessed a radical change take place in the attitude of our governments, state and national, toward business enterprise. Those of us who flatter ourselves that we are still young can easily remember when it was the public policy of this country to give various forms of encouragement to commerce and industry, and to impose few restrictions on the activities of business men. Subsidies were granted in aid of railway construction, while the recipients were allowed to finance, build and operate their properties and to fix the charges for their services almost as they pleased. Heavy import tariffs were levied to enable the American manufacturer to hold the domestic market against his foreign competitors, but few restrictions were placed on the way he might sell his goods, on his relations with other concerns in his field, on his dealings with his labor or on the way he might conduct any part of his business.

There were occasional departures from this general policy. The railways were subjected to drastic regulation by the Granger laws passed by certain states in the 70's, and in 1887 the original Interstate Commerce Act was applied to them. There were sometimes modifications of the tariff laws to reduce the protection accorded to the home manufacturer. The Sherman anti-trust act and various



state laws were passed to prevent competitive concerns from making agreements or combinations in restraint of trade. But these developments and others similar were infrequent and sporadic exceptions to a policy which continued to be dominant until within the last 15 years.

### **Increase of Government Regulation**

The present era in the relations between government and business began with the successful agitation against railway rebating, which resulted in the passage and enforcement of the Elkins law of 1903. At about the same time came the scandals in certain life insurances companies which caused the enactment by several states of strict legislation for the regulation of such concerns. Next followed the campaign for the passage of the Hepburn act giving the Interstate Commerce Commission authority to fix reasonable rates, in which public hostility to the railways was inflamed to such a pitch that laws to regulate their rates, financing, operation and service have continued to be poured forth by scores by the states and the nation ever since.

When practically all the states had created commissions to regulate the railways they began to extend the jurisdiction of these bodies over public utilities of all kinds; and now in many states they, as well as the railways, are subjected to detailed and rigorous public control. Meantime, the Department of Justice had begun to wield the Sherman law to real purpose, with the result that agreements and combinations of numerous kinds, large and small, are being destroyed or prevented.

From the detailed regulation of concerns such as public utilities and railways, which are natural monopolies or quasi-monopolies, it was not a very long step to the regulation of large industrial concerns which were attaining dominant positions in their fields. First, there was created the office of commissioner of corporations, with the authority and duty of making investigations and reports respecting various matters, but especially regarding the operations of big industrial corporations and combinations. Then the corporation tax law was passed, largely to give the federal government additional inquisitorial powers. Now we have an Interstate Trade Commission, with the same duties and authority the commissioner of corporations had, and, in addition, the duty of co-operating with the Department of Justice and the courts in preventing unfair competition and in disintegrating corporations or combinations whose existence is in violation of the anti-trust law; and it has been proposed that this commission be given power to regulate prices.

There has also been a growing tendency to withdraw from certain kinds of business enterprise the aid and support of the government. The most important illustration is the passage of the present tariff law, which has heavily reduced the protection accorded to many industries. I do not imply that this legislation was not justified. I refer to it merely as illustrative of a tendency. In the course of the discussions and revelations regarding big business it was announced that there had been discovered a "money trust," which was a sort of holding company for the other holding companies and all the various large corporations. So we now have a law to prohibit interlocking directorates, with the idea that by this means the financial power of those supposed to compose the money trust will be broken.

In brief, we have seen the government, by the repeal of some laws, by the manifestation of increased zeal in enforcing others, and by the passage of still others, withdrawing a helping hand from business of many kinds, and at the same time imposing on them and others new and heavy burdens and restrictions.

### **Reasons for the Change of Public Policy**

Now, such a great change in public policy never comes about adventitiously; and this one has been caused by a revolution in public sentiment. To use a socialist phrase, the people have been growing "class conscious." There has been developing a feeling that some people have been getting too much wealth and power; that they have been getting them because the government has given them improper help or failed to impose on them proper restraints; and that some thing, or many things, must be done to arrest this tendency. I said the public has been growing "class conscious." But its feeling has not been dividing it into merely two classes, the capitalist and the proletariat, as our socialist friends would have us think. On the contrary, the working classes have been thinking that the middle class people of moderate means have been getting too much money. Both these classes have been thinking that the middle class people of large means have been getting too much. All these classes have been thinking that the very rich have been getting too much. Some of the rich who ship goods have been thinking that the rich who own interests in railways have been getting too much; and the rich who own large interests in railways have been thinking that the rich who own large interests in manufacturing enterprises have been getting too much. Finally, both the rich manufacturers and the rich stockholders in



railways, as well as many other people, have been thinking that organized labor has been getting too much.

So, while everybody has been sure that his business ought to be given public support and ought not to be subjected to public control, everybody has also been convinced that almost everybody else's business ought not to be given public support and ought to be subjected to public control. This may be a slightly overdrawn picture; but it is far more accurate than the expressions so frequently heard from union labor and socialist speakers implying that only the working classes are dissatisfied with the way things have been going.

There are various opinions as to what are the defects in our industrial and commercial system, which lead to the inequitable, or, at least, very unequal, distribution of wealth of which complaint is made. The socialists think that the entire capitalistic system is at fault. Labor, they hold, produces everything, and, therefore, all who receive incomes from invested capital derive them from the unjust exploitation of labor. Others think that our present system of private property, of commerce and of industry, is not fundamentally unsound, but that unless the restraining hand of government is put forth this system enables business men who are in advantageous positions, or who possess superior ability or cunning, to derive from their investments in property and business not only the relatively large incomes, to which it is conceded they are entitled, but large amounts in addition, their right to which is denied. The socialists would abolish private property entirely and thereby the profits derived from its possession and use. Those who believe in effecting social and business reforms by government regulation simply aim to prevent the business men of the country generally from getting more than they conceive that they are entitled to have. Between the socialists and those who believe merely in government regulation of business is a large number of persons who favor public ownership and management of certain classes of concerns. Some of these advocate public ownership only of so-called "public utilities." Others would include coal mines, and so on. Indeed, there is hardly a kind of business concern the public ownership of which is not advocated by one group of persons or another who at the same time deny that they are socialists.

The extreme advocates of government regulation tend to become advocates of government ownership. The advanced advocates of government ownership are scarcely distinguishable from, and tend to become, socialists. It is plain, therefore, where a continuance of the growth of pub-



lic sentiment in favor of government interference with and control of business, and of legislation resulting from the growth of that sentiment, would ultimately take us.

Is it not high time, then, that the people of the country, and especially its business men, should begin to consider seriously whether the great increase of government interference with business that we are witnessing is desirable? This general question has been given very little attention. Many specific proposals for the regulation of railways, of trusts, of banks, and so on, have been widely discussed. But they have been treated as if they were isolated individual plans and had no relation to each other. Therefore, the attitudes assumed toward them by the various classes of the community have been determined mainly by what they have conceived to be their own selfish interests. Shippers have advocated regulation of railways, relatively small business concerns have advocated drastic action against the so-called trusts, in the belief that they were merely furthering the particular kinds of regulation in question. But, in fact, those who have helped further these various kinds of regulation have been, usually unconsciously, helping to promote a general movement for the regulation of business.

Many are now beginning to realize this and to awake to the fact that the amount and variety of the regulatory legislation already passed are so great that there are few concerns of substantial size in the country that are not being directly affected by it. Unless public sentiment changes we shall have a great deal more of this kind of regulation; and its effects will be directly felt, whether for good or evil, by most of the public. For example, one of the laws passed by Congress at the last session prohibits "unfair competition" by concerns engaged in interstate commerce. Now, there are comparatively few concerns of considerable size in the country that are not engaged in interstate commerce. What is "unfair competition," in the meaning of this law? No one knows. One thing only is certain, and this is that these words might be given a construction which would affect seriously persons and corporations, large and small, in every part of this country, that have flattered themselves that their businesses, unlike those of railways and other public service corporations, are private businesses, and, therefore, not subject to government interference. It has become very well worth while to inquire whether there are conditions and abuses in business which make it desirable for us to carry out such a comprehensive policy of public regulation as we are embarking on. If we do carry out such a policy its results will

depend on whether it is wise and fair, or unwise and unfair. It is well worth inquiring, therefore, whether any policy that may be carried out probably will be wise and fair, and, if not, what ought to be done to make it so?

### **The Justification for Public Control.**

There are, beyond question, business conditions which the government is justified in attacking and which a fair and wise policy of regulation would change. The government has greatly benefited the railways, the shippers and the public by abolishing, or practically abolishing, railway rebating. If certain concerns combine to make or maintain excessive prices it manifestly is, and always has been, a proper function of government to interfere to protect the public from the attempted extortion. If railway companies or manufacturers keep their employes at work for such long hours as to injure their health or expose them to unnecessary risks of accident, it is proper for the government to intervene to stop these abuses. It is possible that the government, by enacting good and suitable laws, and having them administered by competent persons, might contribute in numerous ways toward bringing about greater equality of opportunity in the economic struggle, without impairing the efficiency of our productive and distributive processes. If the government can do this it is desirable that it should do it. Government could serve no more useful purpose than to protect the right of men to reap where they have sown, and to hold the door of economic opportunity open for all.

But what it is possible that government regulation might do, and what it seems probable that it would do, are not necessarily the same things; and practical people concern themselves less with possibilities than with probabilities. How, then, does it seem probable that a comprehensive programme of regulation of business would be carried out?

We have no safe way of judging of the future but by the past. It is, therefore, appropriate to inquire whether past experience justifies the great faith many people have that the government in regulating business will show the wisdom and fairness necessary to make its regulation do much good and little harm.

### **The Inefficiency of Government**

The government's management of its own affairs has not been such as to inspire confidence in its ability to tell other people how to manage theirs. Every commission which has investigated the workings of the departments at Washington has criticized them as extremely unbusiness-



like. The largest commercial enterprise conducted by the government is the Postoffice Department. A commission of senators and representatives in 1908 had a committee of financial and accounting experts investigate the operation of that department. These experts reported 142 specific vital defects which they had found in the organization, administration and accounting of the postal service. The congressional commission itself made a report setting forth that it had discovered many "essential defects" and recommending a radical reorganization to make the department efficient. No action on its bill was ever taken. Not long since the Joint Committee on Railway Mail Pay, composed also of members and former members of Congress, rendered a report severely criticizing the officials of the Postoffice Department for their inability to furnish the committee accurate and helpful statistics regarding the operations of the department and for their efforts to reduce below a reasonable basis the compensation of the railways for carrying the mails.

Last spring another commission of senators and representatives made a report on an investigation of the parcel post. It charged that the service of the parcel post was defective in many ways; that the rates as adjusted by the postmaster-general were unfairly discriminatory; that the accounts were so kept that no one could ascertain what the parcel post either earned or cost; that it had failed to cause the free interchange of commodities between the cities and the rural districts which had been intended; that it gave the mail order houses in large cities an unfair advantage over country merchants; and that the mail order concerns were receiving more benefits from it than all other persons and concerns combined. The reports of these congressional commissions negative the opinion often expressed that the Postoffice Department is efficiently managed.

As to the regulation of business, we long had a currency system which was criticized by experts as one of the worst; and only after years of agitation by the bankers and other business men did we finally get the more or less satisfactory currency law recently enacted. Our policy in dealing with alleged trusts has been fluctuating, uncertain, and, as many believe, unwise; and recent legislation may complicate a problem which, after many years, the courts had at last begun to simplify and solve. Our most important experiment in public regulation has been in the case of railroads. Regulation of railways has done good in some ways. But how many business men believe that, as a whole, our present policy of railway regulation is wise or fair?



We had more or less regulation of railways before 1906, but effective regulation, state and national, throughout the country, began in that year. After nine years of effective regulation there were, on October 1, 82 railways, with a mileage of almost 42,000 miles, in the hands of receivers. This is the largest mileage ever bankrupt at one time. It would be unfair to attribute the insolvency of all these roads to regulation. But it is equally unfair to attribute the bankruptcy of all, as many persons do, to mismanagement. Since 1906 there have been extremely heavy increases in railway operating expenses and taxes. The average wage per railway employe advanced 32.5 per cent between 1906 and 1914, and average taxes per mile increased 69 per cent. The railways claimed that they needed increases in their rates to enable them to stand these increases in expenses and taxes and to pay a return on increased investment. They made their first appeal for general increases in rates in 1910. Their petitions were denied. There have been practically no increases in state rates since 1906, while many reductions in state rates have been required. The Interstate Commerce Commission has permitted numerous specific increases in interstate rates, and last year allowed advances on most commodities in eastern territory; but, on the whole, the reductions it has ordered in the last nine years probably have exceeded the advances it has permitted. In consequence, both the average freight rate and the average passenger rate of the railways as a whole are lower now than in 1906, before these heavy increases in expenses and taxes occurred. The result of the action of all these forces was that in the fiscal year ended June 30, 1914, while the railways had a property investment per mile 20 per cent larger than in 1906, their average net operating income per mile was 10.5 per cent lower. To assert in the face of such evidence that the unsatisfactory financial condition in which so many railways find themselves is entirely due to mismanagement is to express blind prejudice. Our policy of government regulation must bear a large part of the responsibility for the condition which for some years has prevailed and still to a great extent prevails in the transportation industry and for the adverse influence it has exerted on all kinds of business and all classes of people.

There are some countries where the relations between the government and business interests have been such as to promote the welfare of the public to a marked extent. Most of us believe this has been true in Germany, regardless of what our sentiments may be concerning Germany's part in the present war. On the other hand, is it not significant that in the United States business men usually

look forward to the assembling of Congress with apprehension and toward its adjournment with relief?

### Shortcomings of Government Action

Why is it that government regulation in this country so often fails to do the expected good and causes unexpected harm? One important reason is that in many cases those who make and administer the laws are inspired by improper motives. Seldom is a law passed or a commission order issued in the regulation of business which is not prompted more or less by prejudice, by a desire to promote political ends, or by both. The form given to the regulations and the results produced correspond to the motives that bring them into existence. You can read in almost every issue of the Congressional Record speeches denouncing the railway magnates, the trust magnates and other leaders of business for the alleged use of dishonorable methods for the promotion of their selfish interests at the public expense. But is not the worse "malefactor of great wealth" as respectable as public men who vote for legislation for the regulation of business for their own selfish political reasons rather than for economic and public purposes? Take the recent legislation amending the Sherman anti-trust law, which at once strengthens that law as it applies to business concerns and exempts from it combinations of farmers and workingmen. Such class legislation is intended for political purposes. It is dishonest, and a dishonest government is not fitted to make business honest. Take the legislation which has been passed in various states requiring increases in the size of railway train crews. It purports to be intended to promote public safety. Its real purpose is to increase the number of men that railways must employ and thereby gain for those who pass it the votes of organized labor. Such legislation is dishonest, and as long as it continues to be passed it will be a question whether government regulation of business does more harm or good.

Another trouble with government regulation as we have it is that it is negative and not positive, destructive and not constructive; that it tells people what they may not do, but seldom tells them what they may do; that it imposes numerous restrictions on them, but seldom gives them any real help in solving their problems. For years the government of Germany has been co-operating with the business men of that country in solving their problems. It has not been content to pass a sweeping prohibition of all combinations in restraint of trade, but, while controlling such combinations, has permitted and even directly encour-



aged them when it has believed that they would benefit both those directly concerned and the public. It has co-operated effectively with German business men in widening the foreign markets for their products. It is to the credit of the present administration in the United States that it is trying to help some classes of business men solve the problems presented by the war in Europe. But it is to the discredit of our government that the amount of its constructive work of this kind has been small; that it has been much more given to putting burdens on business than to helping business carry its burdens.

Another serious shortcoming of government regulation is its want of celerity and elasticity of action. Business conditions change constantly; one of the most important qualifications of a good business man is ability to move quickly in adapting his efforts and methods to these changes; and if government is to regulate business without doing it great harm it must also adapt its regulations to them. Government bodies usually show want of appreciation of this fact or of ability to act accordingly. There has been a revolution in conditions in the field of railway transportation within recent years due to advancing wages, increasing prices and growing demands of the public for better and safer service. Many business men and commercial organizations that a few years ago opposed all advances in rates realize this, and from being opponents have become advocates of higher rates. But many of the authorities continue to regulate rates and operation as if no such important change had occurred. Most of them have been able to move quickly in reducing rates, but none has shown disposition or ability to move quickly in advancing them. This want of celerity, elasticity and adaptibility is a charge which long has been urged against government regulation of business; and it has never been better illustrated than lately in our own country by the way in which the question of railway rates has been handled.

### **Inexpertness in Drafting and Administering Laws**

Still another serious shortcoming of regulation of business is the inexpertness commonly shown in drafting and administering regulatory laws. It is not possible for lawmakers to have expert knowledge of all the subjects with which they deal. If they are to deal with all of them intelligently and fairly they must get information and advice from those who have gained expert knowledge by long study and experience. When a state legislature or Congress has up a measure for the regulation of business its committees usually give those who may throw light on the



subject opportunity to be heard. But the influence exerted by those who appear before the committees is seldom in proportion to their experience and ability. The votes they represent count for much more. Even expert bodies created by Congress itself are almost ignored if their conclusions do not harmonize with those reached by the inexperienced congressmen or their adoption is not adapted to promote the political interests of the lawmakers. Some years ago the Railroad Securities Commission was created by Congress to investigate what regulation of the issuance of railroad securities should be adopted. The commission was composed of some of the leading economists and business and professional men in the United States. It made a thorough investigation and an able report. Yet its conclusions and recommendations were practically ignored in drafting the railroad securities bill introduced in the last Congress.

The same disregard of the expert is shown in choosing men to administer the regulatory legislation. In hardly a single instance has there been elected or appointed to any state railroad commission or to the Interstate Commerce Commission a man possessing expert knowledge of the businesses of the railroads and public utilities he was to regulate. Even members of the Interstate Commerce Commission have to spend most of their first term learning something about the business over which they exercise such great authority. Everyone knows that the personnel of the new Trade Commission does not measure up to the importance and magnitude of the interests that will be affected by its work. Everyone knows what difficulties were met in securing the appointment of especially equipped men to the Federal Reserve Board. Many who can make large incomes in private business are willing to serve the government for relatively small salaries. But the fact that a man has made a success in business is regarded by many persons, and by demagogues who seek to curry favor with them, as disqualifying him for honestly and wisely participating in the work of regulating that business. Consequently, even when regulating statutes have been put into fairly good shape their administration is often stupid and unfair because intrusted to incompetent administrators.

Another shortcoming of our regulation of business has been that it has usually been begun and prosecuted on the assumption that successful business men have gained their success by unscrupulous means; that they have made their fortunes at the expense of others; that the main purpose of regulation should be to impose restrictions on their activi-

ties; and that therefore in the drafting and administration of the regulatory laws little consideration should be given to their wishes and views. When currency legislation is pending this is the attitude assumed toward successful bankers. When the interstate trade commission legislation was pending this was the attitude assumed toward successful manufacturers. When there are hearings going on or legislation is pending affecting railways this is the attitude assumed toward railway managers.

This attitude is fundamentally wrong, and if the spirit which prompts it continues to shape our regulation of business it will be destructive of the welfare of all classes. Many large fortunes have been made by unscrupulous means, but usually the successful business man, whether merchant, manufacturer, banker or railway manager, contributes by his work many times more to the wealth of others than he ever accumulates for himself. The socialists tell us that labor creates all wealth. The truth is that in the absence of modern industrial methods and machinery the average workingman would produce no more by a day's labor now than the average workingman produced by a day's labor 100 or 500 years ago. Labor is more productive now than it was then because the creative genius and energy of able men have developed methods and machinery to make it more productive. But the number of men who have the genius and energy to contribute largely toward thus improving business methods and industrial machinery is relatively very small. There are no more great business men than there are great soldiers, literary men or artists.

Now, why does the man of great business capacity devote himself to business enterprise? He does it to exercise his creative faculties, just as the poet or musician does. But the musician would not be satisfied to exercise his creative faculties if he never secured the results which yield appropriate satisfactions to those faculties, and, likewise, the man with business ability will never fully exercise his abilities unless he has the assurance that he will thus obtain the satisfactions appropriate to the exercise of those faculties. What are those satisfactions? They are the accumulation of wealth for himself and of the things that wealth will buy; and if you carry out a program for so restricting and burdening the business man in his activities as to prevent him from accumulating wealth for himself, the result will be the destruction of business enterprise and the killing of the goose that lays the golden eggs for us all.

Another great shortcoming of our regulation of business has been that when we have begun regulating an industry we have never known when to stop. The regulating



authorities always crave and seek more and more power. There always remain conditions which seem to justify further regulation, and, in consequence, as in the case of railways, we keep on adding restrictions and burdens as if we thought there was no limit to the restrictions within which business men can work or to the burdens that business concerns can carry. It is largely owing to this tendency that there has existed for some years such a serious condition in the railway business.

The indictment here presented against the regulation of business, as we have known it, is severe. Will those who have studied the subject deny it is just? Even those who are most harsh in their strictures on business men and business methods, and the most radical in their advocacy of government regulation, and even government ownership, are often at the same time vigorous in their criticism of the way government business is transacted. Is it not strange that men who see so clearly the shortcomings of government should at the same time have boundless faith in its ability to correct all the abuses and shortcomings in the management of business and even in its ability successfully to manage business?

The result of the deficiencies of government regulation of business is that it usually fails to do the good its advocates anticipate and usually does a large part of the harm its opponents predict. Railway regulation was originally adopted to correct certain generally recognized abuses in the transportation business, such as rebating. By correcting these abuses it has done good. But, unfortunately, it has now been carried so far, under the pressure of prejudiced and political motives, that the railways are laboring under all manner of governmental restrictions and burdens.

### **The Need for Greater Efficiency in Public Affairs.**

The war in Europe is presenting to the American people both a great opportunity and a great problem. It is presenting to us the opportunity to enlarge enormously our foreign commerce, not only temporarily, while the war is going on, but permanently. It is presenting to us the problem of devising and carrying out plans for taking advantage of this opportunity. It is easy enough to enlarge our foreign trade now, while our principal foreign competitors are desperately fighting. The holding of the advantages gained after they have ceased fighting will be another matter. No nation made within the last half century such rapid progress, in proportion to its natural advantages, in developing its natural resources and promoting its foreign commerce, as Germany. The German government was a very active and



effective participant in this work. It has owned and operated the railways and its regulation of business has been extensive and detailed. Many are now telling us that if we would compete successfully with Germany we must cause our government to imitate the German government, not only by interfering more actively in business matters, but by becoming the owner and manager of many public utilities. This is a very superficial view. The German government has not helped the business of Germany merely because of its activities. It has helped it because of its efficiency, and its efficiency has been due to the fact that both in regulating and in managing business it has acted on business and not on political principles. Being guided by business rather than political principles, it does almost everything in almost the exactly opposite way from what our politics-ridden governments do. The German government is run by experts. It has no pork barrel. It regulates business for the benefit of the business interests as well as of other classes. It is not so much what the German government has done that has helped German business as the way it has done it. So in our own country, it is not so much what the governments do that hurts business as the way they do it.

Unless the methods and personnel of our governments are improved a more extensive policy of public regulation and management of business will not only not secure the greater equity in the division of wealth which is its chief ostensible object, but it will also so impair the efficiency of production that there will be much less produced to divide. Before regulation will be a success our governments must be raised to somewhere near the level of honesty, fairness and efficiency to which they demand that business shall be raised.

It would seem, therefore, that the most immediately pressing phase of the problem of regulation is one to which very little attention is now given, viz., that of making our governments fit to deal with business problems. To do this we must get and keep in our law-making and administrative offices and bodies men who have the ability and disposition to draft and administer regulatory laws with skill and fairness. Before we can do that we must awaken the public to an appreciation of the shortcomings of our governments and the need for reforms in them. This can be done only by waging a vigorous, persistent and comprehensive campaign for fairer and more intelligent government.

As already intimated, there has been no lack of educational campaigns carried on by business interests. The

railways have carried them on. The bankers have carried them on. The manufacturers have carried them on. The shippers have carried them on. But in most cases they have done this to further their own special ends. They have not recognized the fact that all business interests and the public in general are alike confronted with the danger of regulation by governments influenced by improper motives, and therefore regulation excessive, unintelligent and unfair.

### Government Control—Not Government Destruction—of Business

The vice in the situation suggests its own remedy. Every improper and undesirable extension of regulation in the field of transportation or of banking is used as a precedent and argument for the adoption of regulation in some other field. Since business interests are confronted by a common danger good sense suggests that they shall stand together in meeting it and shall fight unitedly against all unfair or harmful regulation of any class of concerns and for those improvements in government which are necessary to insure that any regulation which is adopted will be intelligent and fair. In doing so they should have the co-operation and support of all who are capable of seeing whither we are drifting.

If, instead of using government regulation as an instrument for attacking each other, as they often have done, business men do not in future stand together in defending each other against unfair attacks, and if the intelligent and public-spirited people of the country generally do not stand with them, we may wake up to find that we have developed a system of government regulation and espionage not wholly dissimilar to that which prevailed in France under the ancient regime, and which the German historian, Von Holst, has described in such striking language. After referring to the functions of the controller general, who, he said, was the center around which everything turned, Von Holst added:

“What the controller was for the whole state the intendant was for its administrative subdivision—the **generalite**. He had his hand in everything and always in the spirit of bustling, distrustful and presumptuous paternalism. . . . Surely this government machinery was simple enough—aye, it was of fearful, paralyzing, nay, absolutely killing, simplicity. . . . The capability for self-government was systematically annihilated. And it was done so successfully that the people at last could not get enough of this kind of paternalism. We meet with bitter



complaints that, in regard to one thing or another, the government had not marked out the way with sufficient clearness and strictness. . . . As the government charged itself with attending to everything it was, of course, also held responsible for everything. Commanding, instructing, or at least advising, in regard to everything, was it not also its duty to foresee everything, up to the fancies of fashion, the whims of trade, the freaks of the weather? The government became the terrestrial Providence. One of the attributes of Providence is omnipresence. If we merely look at the intendants and their subordinates, who did nearly all the real governing, we get but a very inadequate idea of how far government under the ancient regime came up to this requirement. There was such an innumerable host of all sorts of public officials that one is tempted to say whatever a man did he was almost as sure to have some kind of a public functionary at his side as he was to be followed by his own shadow. If the peasant brought an ox to market the inspector of cattle presented himself; the inspector of calves looked after the calves; the inspector of swine took care of the pigs; and if it happened to be a sow with young he was joined by the inspector of sucking pigs!"

Is that a description of what we are approaching? God forbid that we should ever attain the inspector-of-sucking-pigs stage of government regulation!

We want government publicity for business methods that are wrong; but we don't want government prying into and espionage of all the details of business. We want enough government control to hinder and punish wrongdoing; but we don't want enough to restrict and burden business men in everything they do, whether right or wrong. We want government action that will correct abuses; but we want it to be of a kind which will at the same time stimulate the development of commerce and industry along all legitimate lines. We want government action that will protect every man in his rights; but we don't want government action which will deprive any man, however rich, of the just fruits of his labors, to transfer them to any other man, however poor. We want government regulation that will promote equity in the distribution of wealth; but we don't want government regulation that will interfere with the production of wealth or with the marketing of what is produced in competition with the producers of other countries. In brief, we want government regulation of business, but not government destruction of business.